

- (7) The following information is to be provided upon request by the department:
- (a) Access to certified public accountant's audit workpapers which support the audited financial statements.
 - (b) Copies of leases, purchase agreements, and other documents related to the acquisition of equipment, goods, and services which are claimed as allowable costs.
 - (c) Separate audited financial statements for any organization, excluding individual nursing facilities of a chain organization owned in whole or in part by an individual or entity which has an ownership interest in the facility together with supplemental information which reconcile costs on the financial statements to costs for the report year.
 - (d) Separate audited financial statements for every organization with which the facility conducts business and which is owned in whole or in part by an individual or entity which has an ownership interest in the facility together with supplemental information which reconcile costs on the financial statements to costs for the report year.
- d. In the event a facility fails to file the required cost report on or before the due date, the department may reduce the current payment rate to eighty percent of the rate in effect on October first. Reinstatement of the rate will occur on the first of the month beginning after receipt of the required information, but is not retroactive.
- e. The facility shall make all adjustments, allocations, and projections necessary to arrive at allowable costs. The department may reject any cost report when the information which has been filed is incomplete or inaccurate. If a cost report is rejected, the department may reduce the current payment rate to eighty percent of its most recently established rate until the information is completely and accurately filed.
- f. Costs reported must include total costs and be adjusted to allowable costs. Adjustments required by the Provider Audit Unit, to attain allowable cost, though not meeting the Medicaid state agency or the state Medicaid investigative group criteria of fraud or abuse on their initial identification, could, if repeated on future cost filings, be considered as possible fraud and abuse. The Provider Audit Unit will forward all such items identified to the appropriate Medicaid investigative group.

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- g. The department may grant a fifteen-day extension of the reporting deadline to a facility. To receive such an extension, a facility must submit a written request by September first to the Medical Services Division. The department will notify the facility of the decision by September fifteenth.
3. The department will perform an audit of the latest available report year of each facility at least once every six years and retain for at least three years all audit-related documents, including cost reports, working papers, and internal reports on rate calculations which are utilized and generated by audit staff in performance of audits and in establishing rates. Audits will meet generally accepted governmental auditing standards.
4. Penalties for False Reports.
- a. A false report is one where a facility knowingly supplies inaccurate or false information in a required report that results in an overpayment. If a false report is received, the department shall:
- (1) Immediately adjust the facility's payment rate to recover the entire overpayment within the rate year;
 - (2) Terminate the department's agreement with the provider;
 - (3) Prosecute under applicable state or federal law; or
 - (4) Use any combination of the foregoing actions.
- b. The department may determine a report is a false report if a facility claims previously adjusted costs as allowable costs. Previously adjusted costs being appealed must be identified as nonallowable costs. The provider may indicate that the costs are under appeal and not claimed under protest to perfect a claim should the appeal be successful.

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Section 3 - General Cost Principles

1. For rate-setting purposes, a cost must satisfy the following criteria:
 - a. The cost is ordinary, necessary, and related to resident care.
 - b. The cost is what a prudent and cost conscious business person would pay for the specific good or service in the open market in an arm's length transaction.
 - c. The cost is for goods or services actually provided in the facility.
2. The cost effects of transactions which circumvent these rules are not allowable under the principle that the substance of the transaction prevails over form.
3. Reasonable resident-related costs will be determined in accordance with the rate setting procedures set forth in this manual, instructions issued by the department and Health Care Financing Administration Manual 15 (HCFA-15). If conflicts occur between the rate setting manual or instructions issued by the department and HCFA-15, the rate setting manual or instructions issued by the department will prevail.

92-003

10/14/92

11/92

90-04

STATE: North Dakota

Attachment 4.19-D
Sub-section 1

Section 4 - Vacated

92-003

10/14/92

1/1/92

90-04

Section 5 - Exclusions

A facility that exclusively provides residential services for nongeriatric individuals with physical disabilities or a unit within a facility which exclusively provides geropsychiatric services shall not be included in the calculation of the rate limitations and its rate must not be limited by such limitations. The facility rate or the rate for a unit within a facility which exclusively provides geropsychiatric services must be established using the actual allowable historical costs adjusted by the indices under Section 24 - Adjustment Factors for Direct Care, Other Direct Care and Indirect Care Costs. Actual allowable historical costs must be determined using the applicable sections of the policies and procedures. An operating margin and incentive determined under Section 25 must be included in the facility rate.

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Section 6 - Resident Days

1. A resident day is any day for which service is provided or for which payment is ordinarily sought for use of the bed. The amount of remuneration has no bearing on whether a day should be counted.
2. Adequate census records must be prepared and maintained on a daily basis by the facility to allow for proper audit of the census data. The daily census records must include:
 - a. Identification of the resident;
 - b. Entries for all days and not just by exception;
 - c. Identification of type of day, i.e., hospital, in-house;
 - d. Identification of the resident's classification; and
 - e. Monthly totals by resident, by classifications for all residents, and by type of day.
3. A maximum of fifteen days per occurrence may be allowed for payment by the medical assistance program for hospital leave. Hospital days in excess of fifteen consecutive days not billable to the medical assistance program are not resident days unless any payment is sought as a noncovered day.
4. A maximum of twenty-four therapeutic leave days per individual per rate year may be allowed for payment by the medical assistance program. Therapeutic leave days in excess of twenty-four per rate year are not resident days unless any payment is sought as a noncovered day.
5. Institutional leave days are not billable to the department and are not resident days unless any payment is sought as a noncovered day.
6. Hospital and therapeutic leave days, occurring immediately following a period when a resident was receiving medicare part A benefits in the facility, are not billable to the department and are not resident days unless any payment is sought as a noncovered day.
7. Residents admitted to the facility through a hospice program or electing hospice benefits while in a facility must be identified as hospice residents for census and billing purposes.

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Section 7 - Direct Care Costs

Direct care costs include only those costs identified in this section.

1. Therapies:

- a. Salary and employment benefits for speech, occupational, and physical therapists or for personnel, who are not reported in subsection 2, performing therapy under the direction of a licensed therapist.
- b. The cost of non-capitalized therapy equipment or supplies used to directly provide therapy, not including office supplies such as forms or pens.
- c. Training which is required to maintain licensure, certification or professional standards and the related travel costs.

2. Nursing:

- a. Salary and employment benefits for the director of nursing, nursing supervisors, inservice trainers for nursing staff, registered nurses, licensed practical nurses, quality assurance personnel, nurse aides, orderlies, individuals providing assistance with activities of daily living, and ward clerks.
- b. Routine nursing care supplies including items that are furnished routinely and relatively uniformly to all residents; items stocked at nursing stations or on the floor in gross supply and distributed or used individually in small quantities; and items used by individual residents that are reusable, vary by the needs of an individual, and are expected to be available in the facility.
- c. Training which is required to maintain licensure, certification or professional standards requirements and the related travel costs.
- d. Routine hair care, including grooming, shampooing, and cutting.
- e. The cost of noncapitalized wheelchairs.

Section 8 - Other Direct Care Costs

Other direct care costs include only those costs identified in this section.

1. Food - the cost of consumable food products.
2. Dietary supplements, including supplements used for tube feedings such as elemental high nitrogen diet.
3. Laundry costs:
 - a. Salary and employment benefits for a director of laundry, laundry aides, seamstresses and other personnel who gather, transport, sort, and clean linen and clothing.
 - b. The cost of laundry supplies such as detergents, softeners, and linens but not including office supplies such as forms or pens.
 - c. Contracted services for laundry.
4. Social service costs - Salary and employment benefits or consultant fees for social workers or social worker designees.
5. Activities costs:
 - a. Salary and employment benefits for activities director and activities aides.
 - b. The cost of leisure and recreational activities and supplies including games, ceramics, pets, out-of-house activities, and non-capitalized exercise equipment but not including office supplies, such as forms or pens.

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Section 9 - Indirect Care Costs

Indirect care costs include all costs specifically identified in this section. Indirect care costs must be included in total, without direct or indirect allocation to other cost categories unless specifically provided for elsewhere.

1. Administration - Direct costs for administering the overall activities of the facility include, but are not limited to:
 - a. Salary and employment benefits for administrators, except that in a facility of sixty or fewer beds, part of an administrator's salary may be allocated to other cost categories provided adequate records identifying the hours and services provided are maintained by the facility.
 - b. Salary and employment benefits for assistant administrators, top management personnel, accounting personnel, clerical personnel, secretaries and receptionists, data processing personnel, purchasing, receiving and store personnel, medical director, and salary and employment benefits of all personnel not designated in other cost categories.
 - c. Board of directors fees and related travel expenses.
 - d. Security personnel or services.
 - e. Supplies except as specifically provided for in the Direct Care, Other Direct Care, and other cost centers of the Indirect Care cost category.
 - f. Insurance, except insurance included as a fringe benefit and insurance included as part of related party lease costs.
 - g. Telephone and telegraph.
 - h. Postage and freight.
 - i. Membership dues and subscriptions.
 - j. Professional fees for services such as legal, accounting and data processing.
 - k. Central or home office costs including property costs except as provided for in Section 14 - Home Office Costs.
 - l. Advertising and personnel recruitment costs.
 - m. Management consultants and fees.

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- n. Bad debts and collection fees as provided for in Section 17 - Bad Debts.
 - o. Business meetings, conventions, association meetings and seminars.
 - p. Travel, except as necessary for training programs for personnel required to maintain licensure, certification, or professional standards requirements.
 - q. Training, except for training for personnel required to maintain licensure, certification or professional standards requirements.
 - r. Business office functions.
 - s. Computer software costs, except costs that must be capitalized, and computer maintenance contracts.
 - t. Working capital interest.
 - u. Any costs that cannot be specifically classified to other cost categories.
2. Chaplain:
- a. Salary and employment benefits for all personnel assigned to meet the spiritual needs of the residents.
 - b. Supplies and other expenses related to meeting the spiritual needs of the residents.
3. Pharmacy - Compensation for pharmacy consultants.
4. Plant operations:
- a. Salary and employment benefits for a director of plant operations, engineers, carpenters, electricians, plumbers, caretakers, vehicle drivers, and all other personnel performing tasks related to maintenance or general plant.
 - b. The cost of heating and cooling, electricity, water, sewer and garbage and cable TV.
 - c. Repairs and maintenance contracts and purchased services.
 - d. Supplies necessary for repairs and maintenance of the facility, including hardware, building materials and tools, other maintenance related supplies and non-capitalized equipment not included elsewhere.
 - e. Motor vehicle operating expenses.